

Financial Reporting Standards

The **Financial Reporting Standards** (hereinafter referred to as FRS) purports to set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events that are important in general purpose financial statements. General purpose financial statements are directed toward the common information needs of a wide range of users, for example, shareholders, creditors, employees and the public at large.

The scope of application of the FRS is prescribed in Article 4 of Administrative Regulation No.25/2005, which includes: concessionary entities in the Macao Special Administrative Region, insurance companies, institutions governed by the Financial System Act, offshore companies, public companies, and partnerships limited by shares. In addition, entities that are required by special law to have organized accounting, including Supplementary Tax on Income – Group A taxpayers as well as Professional Tax – Group 2 taxpayers may also opt to apply the FRS.

Effective date, Transitional Provisions and Special Circumstances

The Financial Reporting Standards - approved by Order of the Secretary for Economy and Finance No. 44/2020 (hereinafter referred to as *New FRS*) - have come into effect on 28 March 2020, and has replaced the Financial Reporting Standards – Annex II of Administrative Regulation No.25/2005 (hereinafter referred to as *Original FRS*) – starting this date, but without prejudice to the application of transitional provisions and in special circumstances.

Transitional provisions refer to the option by applicable entities to apply the New FRS as of 1 January 2022, i.e. applicable entities may apply the New FRS on annual financial reports whose period start on 1 January 2022 or beyond, while the Original FRS may be applied on financial reports of prior periods.

Special circumstances refer to ultimate parent companies - referred in Article 1-A of the Regulation of Supplementary Tax on Income in force, approved by Law No.21/78/M of 9 September – for the purpose of preparing its accounting statements for periods starting 2019, the New FRS should be applied.

Contact Information

Committee for the Registry of Auditors and Accountants, Financial Services Bureau of the Macao Special Administrative Region

Address: No.30 Rua da Sé, 1/F Resources
Centre of the Financial Services Bureau
Website: dsf.gov.mo/crac
Email: crac@dsf.gov.mo
Telephone: (853) 8599 5344



**Order of the Secretary for
Economy and Finance No.44/2020**

***Approve the 'Financial
Reporting Standards'***

Effective as of 28 March 2020



Financial Services Bureau of
the Macao Special Administrative Region
Committee for the Registry of Auditors and Accountants

Major Reform of FRS

Compared with the Original FRS, the major reform of the New FRS is reflected in expansion of scope. With regard to the quantity of standards, the Original FRS had adopted a selection of standards from the 2004 edition of the International Financial Reporting Standards (hereinafter IFRS), including framework for Preparation and Presentation of financial statements as well as 16 Standards, signaling partial adoption; the New FRS, on the other hand, have adopted all of the Standards from the 2015 edition of the IFRS, signaling full-adoption.

With regard to the Standards' parameter, the Original FRS had not provided for significant transactions or events regarding consolidated financial statements, financial instruments, employee benefits, disclosure of related parties, and investment real estate among others, which, to a certain extent, no longer been able to meet the demands from economic development; the parameter of the New FRS, however, would cover all of these areas.

Objective of the Reform of FRS

Realizing convergence with IFRS

Enhancing the relevancy of financial reports in economic decision-making, meeting the demands from economic development

The FRS are comprised of 1 Conceptual Framework for Financial Reporting, 15 IFRS, 26 International Accounting Standards (hereinafter IAS) and 21 Interpretations. Amongst them, listed below are the titles of the 41 Standards:

1. IFRS 1 – First-time Adoption of IFRS
2. IFRS 2 – Share-based Payment
3. IFRS 3 – Business Combinations
4. IFRS 4 – Insurance Contracts
5. IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
6. IFRS 6 – Exploration for and Evaluation of Mineral Resources
7. IFRS 7 – Financial Instruments: Disclosures
8. IFRS 8 – Operating Segments
9. IFRS 9 – Financial Instruments
10. IFRS 10 – Consolidated Financial Statements
11. IFRS 11 – Joint Arrangements
12. IFRS 12 – Disclosure of Interests in Other Entities
13. IFRS 13 – Fair Value Measurement
14. IFRS 14 – Regulatory Deferral Accounts
15. IFRS 15 – Revenue from Contracts with Customers
16. IAS 1 – Presentation of Financial Statements
17. IAS 2 – Inventories
18. IAS 7 – Statement of Cash Flows
19. IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
20. IAS 10 – Events after the Reporting Period
21. IAS 12 – Income Taxes
22. IAS 16 – Property, Plant and Equipment
23. IAS 17 – Leases
24. IAS 19 – Employee Benefits
25. IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
26. IAS 21 – The Effects of Changes in Foreign Exchange Rates
27. IAS 23 – Borrowing Costs
28. IAS 24 – Related Party Disclosures
29. IAS 26 – Accounting and Reporting by Retirement Benefit Plans
30. IAS 27 – Separate Financial Statements
31. IAS 28 – Investments in Associates and Joint Ventures
32. IAS 29 – Financial Reporting in Hyperinflationary Economies
33. IAS 32 – Financial Instruments: Presentation
34. IAS 33 – Earnings per Share
35. IAS 34 – Interim Financial Reporting
36. IAS 36 – Impairment of Assets
37. IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
38. IAS 38 – Intangible Assets
39. IAS 39 – Financial Instruments: Recognition and Measurement
40. IAS 40 – Investment Property
41. IAS 41 – Agriculture